



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET ITEM: C-01	BOARD MEETING: June 7, 2022	PROJECT NUMBERS: #E-025-22 #E-026-22
FACILITY: Pipeline -West Suburban Medical Center, Oak Park		
APPLICANT(S): AUM Global Healthcare Management, LLC d/b/a Resilience Healthcare, WestLaw Management Group, LLC, Pipeline Health System, LLC, Pipeline-West Suburban Medical Center, LLC.		

DESCRIPTION: The Applicants (AUM Global Healthcare Management, LLC d/b/a Resilience Healthcare, WestLaw Management Group, LLC, Pipeline Health System, LLC, Pipeline-West Suburban Medical Center, LLC) propose a change of ownership of West Suburban Medical Center, 3 Erie Court, Oak Park, Illinois.

There are two transactions associated with the change of ownership of the Medical Center.

1. #E-025-22 is for the Medical Center. Resilience Healthcare is acquiring 100% of the membership interests in Pipeline-West Suburban Medical Center, LLC – the current licensee. (a change in control of the operating/licensed entity)
2. #E-026-22 is for the real estate housing the Medical Center. Ramco Healthcare Holdings, LLC has entered into an Agreement with Pipeline and West Suburban Property Holdings, LLC to acquire the real estate where West Suburban Medical Center is located. (Change of ownership of the capital assets of a health care facility)

These two exemptions are presented as one report because both transactions involve one health care facility.

Purpose of the Health Facilities Planning Act.

This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs.

The Certificate of Need process required under this Act is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities. The Board must assure that the establishment, construction, or modification of a health care facility or the acquisition of major medical equipment is consistent with the public interest and that the proposed project is consistent with the orderly and economic development or acquisition of those facilities and equipment and is in accord with the standards, criteria, or plans of need adopted and approved by the Board. Board decisions regarding the construction of health care facilities must consider capacity, quality, value, and equity.

Information regarding this change of ownership as well as the change of ownership of Pipeline-Louis Weiss Memorial Hospital. Information for these changes can be found at <https://www2.illinois.gov/sites/hfsrb/Projects/Pages/West-Suburban-Medical-Center-OPCO-E-025-22.aspx>



**STAFF REPORT
ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
CHANGE OF OWNERSHIP**

I. General Information

The Applicants (AUM Global Healthcare Management, LLC d/b/a Resilience Healthcare, WestLaw Management Group, LLC, Pipeline Health System, LLC, Pipeline-West Suburban Medical Center, LLC) propose a change of ownership of West Suburban Medical Center, 3 Erie Court, Oak Park, Illinois. The owner of the property will be Ramco Healthcare Holdings, LLC and the licensee will remain Pipeline-West Suburban Medical Center, LLC.

II. Background

In **2003** the State Board approved Resurrection Health Care as the sole corporate member of West Suburban Medical Center, replacing the parent corporation, West Suburban Health Services (#E-061-03).

In **March 2010** the State Board approved the sale of West Suburban Medical Center to Vanguard Health Systems Inc. from Resurrection Health Care with reporting stipulations (Permit #10-014).

In **July 2013** the State Board approved the merger of Vanguard Health Systems Inc. to the Tenet Healthcare Corporation resulting in a change of ownership of West Suburban Medical Center (Permit #13-043).

In **October 2018** the State Board approved SRC Hospital Investment II, LLC purchase of VHS West Suburban Medical Center from Tenant Healthcare Corporation (#E-051-18). As part of that transaction, the real estate, and buildings on which West Suburban Medical Center is located were acquired by West Suburban Property Holdings, LLC. West Suburban Medical Center entered a multi-year lease with West Suburban Property Holdings, LLC.

In **February 2020** the State Board approved a change of control of the Medical Center, to allow Pipeline Health System Holdings, LLC to become the sole member and interest holder of SRC Hospital Investments II, LLC. The sole member and interest holder of Pipeline Health System Holdings, LLC will be Pipeline Health System, LLC.

III. Applicants

AUM Global Healthcare Management, LLC d/b/a Resilience Healthcare is a led by Dr. Manoj Prasad. Dr. Prasad holds 60% of the ownership units in Resilience Healthcare and Mr. Patlola holds 40% of the ownership units. Resilience will manage the facilities through WestLaw Management Group, LLC, a wholly owned subsidiary of Resilience Healthcare. Mr. Patlola is the sole member of Ramco Healthcare Holdings, LLC. and holds 100% of the ownership units in Ramco Healthcare Holdings, LLC. Ramco Healthcare Holdings, LLC will own the real estate.

The Applicants provided the following information regarding the principles:

Dr. Manoj Prasad *has been a healthcare professional for over 30 years. A physician by training, a healthcare technology architect and healthcare business optimizer by passion who has maintained a successful career as a healthcare executive in Michigan, Texas, Florida, and even as far as India and Panama. Dr. Prasad is a servant leader whose skills and experience have been earned during a career resuscitating struggling healthcare organizations of all sizes, types, and locations. His career in hospital administration began in the early nineties in Michigan where he turned around several struggling physician group practices including First Care Medical Centers, Family Medical Group, Pointe Medical Centers (1995-1998) and American Medical Centers (1991-1995) where he served as Chief Executive Officer. He also set up several managed care practices when managed care was introduced in the healthcare industry. He has also served as a Consultant to the Medical Staff at multiple facilities where he worked to develop plans to save the facilities from closure or convert the facilities to alternate models to allow for their continued operation. Prasad's next challenge involved serving as President and CEO of Kern Hospital and Medical Center. Established in 1973, the facility had recently exited from bankruptcy re-organization and was days away from filing for Chapter 7 liquidation when Prasad took over and led the hospital to profitability for three consecutive years and converted it from a single specialty facility to a full-service hospital, recruiting over 200 physicians to staff. Prasad left Kern in 2000 upon its sale. From there Dr. Prasad joined a health system where he served as Executive Director of a 378-bed tertiary teaching hospital located in Flint, Michigan. He went on to be promoted to President of the physician practice group for the health system where he managed 180 physicians in 12 counties with over 100 locations. Dr. Prasad was then recruited to rescue a Hospital System in India that had been declared unviable by large international health system operators who evaluated it for potential acquisition. He served as its Chief Executive Officer for three years before returning the United States to oversee a Consultancy Group for the Americas as its Country Head for Healthcare, focusing on blending healthcare administration and technology. He then launched Xpertease Consultants which saw him work and take on leadership roles with several organizations over the next decade including serving as either Chief Executive Officer or other high level executive positions focused on operations. Specifically, his hospital turnaround work involved managing financially distressed facilities to turn around their finances and increase service line offerings. Dr. Prasad has also been brought into organizations facing substantial compliance issues with regulators, and he has worked to turnaround those facilities and bring them back into compliance with federal and state regulations. Finally, Dr. Prasad's consulting work also involved working with organizations to either prevent closure of those facilities or re-purposing them.*

Mr. Reddy Rathnaker Patlola is a self-made business executive overseeing a vast organization with business holdings in the energy, hospitality, and retail sectors. Mr. Patlola immigrated to the United States as a student and attended the Central Michigan University, earning a master's degree in Computer Science. After school, he relocated to New York and embarked on career in information technology working for JP Morgan Chase, Columbia University and other Wall Street financial firms. His career as an entrepreneur began with a single lease and has grown substantially since then to include multiple locations. One of his companies, Ramoco Fuels, is based out of New Jersey and is a large energy distributor on the East Coast operating in New Jersey, Pennsylvania, and Delaware. The company also operates a fleet of short and long-haul trucking vehicles. His success in the energy industry fueled further investments in the retail, real estate, financial services, and hospitality industries. Mr. Patlola is currently developing two Woodspring Suites Hotels in New York State. Based on his hard work, dedication, and business acumen, he has been able to succeed in multiple industries and this is, in no small part, based upon his successful ability to identify the right partners. Mr. Patlola believes that healthcare is a human right and is excited at the opportunity to work with Dr. Prasad to ensure the continuity of services in the community.

IV. Transaction

#E-025-22 Pipeline West Suburban Medical Center

Resilience Healthcare will acquire 100% of the membership interests in Pipeline-West Suburban Medical Center, LLC (Operating/Licensee). Resilience Healthcare will obtain the assets and assume the liabilities of the Medical Center. According to the Applicants the Medical Center's assets include:

- Patient Accounts Receivables (less agreed-upon adjustments between buyer and seller), which will allow uninterrupted services and cash flow).
- Equipment necessary for the continued operation of the facility.
- Designated contracts.
- Warranties on equipment.
- Supplies, drugs, food, janitorial, and office supplies located in the facility.
- Telephone numbers, and marketing materials.

Resilience Healthcare will manage the hospital through WestLaw Management Group, LLC a wholly owned subsidiary of Resilience. The Applicants have valued the Medical Center the operating/licensee at \$1.

The Applicants provided a letter which they considered confidential that indicated a \$40 million line of credit secured by the account receivables will be forthcoming to assure continuing operations of the Medical Center. The line of credit is for Pipeline West Suburban Medical Center and Pipeline-Weiss Memorial Hospital.

#E-026-22 West Suburban Medical Center (Real Estate)

Ramco Healthcare Holdings, LLC will own the real estate. The Applicants have valued the real estate at \$28,282,438.^{1 2}

V. Medical Center

Pipeline-West Suburban Medical Center is a 234-bed hospital in Oak Park, Illinois. The Medical Center is in Health Service Area VII and the A-06 Hospital Planning Area. The table below identifies the five acute care hospitals in the A-06 Hospital Planning Area and the ownership, the number of beds and the distance from Pipeline-West Suburban Medical Center.

TABLE ONE				
Hospitals within the A-06 Hospital Planning Area				
Facility	Ownership	City	Distance	Beds
West Suburban Medical Center	Pipeline	Oak Park	0	234
Rush Oak Park Hospital	Rush University Medical Center	Oak Park	2.4	185
Loyola Health System at Gottlieb	Trinity Health	Melrose Park	3.6	247
MacNeal Hospital	Trinity Health	Berwyn	5.1	374
Loyola University Medical Center	Trinity Health	Maywood	5.5	547

Pipeline West Suburban Medical Center incurred a total of \$45.9 million in losses February 2019 to February 2022. The Medical Center received approximately \$37.1 million in Cares Act Grants from April of 2020 to October 2021.

TABLE TWO					
Pipeline-West Suburban Medical Center					
	2019	2020	2021	Jan-22	Feb-22
Net Patient Revenue	\$120,046,148	\$130,026,235	\$127,594,555	\$13,188,432	\$9,707,292
Other Revenue	\$1,415,318	\$23,108,317	\$12,313,119	\$1,659,342	\$138,823
Operating Expenses	\$136,001,766	\$161,464,085	\$153,626,273	\$15,610,899	\$14,361,515
Non-Operating Exp	-\$4,510,922	\$3,499,021	\$4,395,001	\$281,814	\$285,478
Income (Loss)	(\$10,029,378)	(\$11,828,554)	(\$18,212,590)	(\$1,044,939)	(\$4,800,878)

¹ The total purchase price related to the Transaction is \$92 million for the real estate, which includes all Pipeline assets in the greater Chicago area. No part of the purchase price is being attributed to West Suburban Medical Center (licensee/operating entity) or Weiss Memorial Hospital (licensee/operating entity). Of this \$92 million total purchase price, seller is providing to buyer at closing a \$12 million credit in immediately available funds, to be used toward improvements and repair of the transferred assets (including Weiss and West Suburban). Of this \$12 million credit, \$8 million will be used by buyer for improvements and repair at Weiss, to, honor seller's prior commitment to the community in connection with the sale of the Weiss Surface Lot. As a result, the net purchase price associated with the Transaction is \$80 million, apportioned as follows:

1. West Suburban Real Estate: \$28,282,438.27
2. Weiss Hospital Real Estate: \$11,040,757.61

² There are two Medical Office Buildings associated with Pipeline's sale of all its Illinois's assets that do not require approval of the State Board.

From 2015 to 2020 the Medical Center reported an ADC of 43.38%. No utilization was reported for the pediatric service in 2019 and 2020. For these same six years the hospital reported a decrease in private insurance patients of approximately 80%.

TABLE THREE Average Utilization of Medical Center 2015-2020			
Category of Service	Beds	ADC	Occupancy %
Medical Surgical	135	60.72	44.98%
Pediatric	5	0.00	0.00%
Intensive Care	24	9.23	38.47%
OB/GYN	20	10.57	52.83%
LTC	50	20.70	41.40%
Total	234	101.27	43.38%

TABLE FOUR Number of Patients by Revenue Source 2015-2020						
	2015	2016	2017	2018	2019	2020
Medicare	28,808	29,608	27,981	27,190	34,084	22,985
Medicaid	20,522	9,186	7,063	7,119	50,465	32,175
Other	0	0	0	0	0	401
Private Insurance	106,382	114,813	112,579	109,515	35,857	25,987
Self-Pay	2,678	3,782	3,214	2,559	8,508	508
Charity Expense	4,077	3,479	3,739	4,884	3,620	5,341
Total	162,467	160,868	154,576	151,267	132,534	87,397

VI. Public Hearing

A public hearing was conducted VIRTUALLY on February 17, 2022. Concern was expressed by the community regarding the professional background of the Applicants and the financial wherewithal of the buyers.

VII. Response to Requirements of the State Board

In response to the requirements of the change of ownership the Applicants provided the following.

1. *affirmation that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of this Section.*

The Medical Center does not have any outstanding permits.

2. *if the ownership change is for a hospital, affirmation that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction.*

The Applicants have affirmed that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The Applicants have affirmed that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction.

3. *a statement as to the anticipated benefits of the proposed changes in ownership to the community.*

This Transaction will allow the Hospital to continue to provide essential healthcare services to the communities it serves. This is in alignment with the principles of the HFSRB program, which is to facilitate access to quality care for underserved communities. This Transaction will provide stability to Facilities and the communities they serve, each which that will benefit from additional stability. [Page 62 of the Exemption Application]

4. *the anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership.*

This project is driven by the opportunity for operational improvements that will enable the community and the Facility to benefit from these efficiencies. Dr. Prasad and Mr. Patlola recognizes that there is ample opportunity for collaboration with and reinvestment within the community and the Facility. [Page 63 of the Exemption Application]

5. *a description of the facility's quality improvement program mechanism that will be utilized to assure quality control.*

The applicant facility's quality improvement program mechanism will not change as a result of the proposed transaction. The Quality Improvement Program documentation was provided as required.

6. *a description of the selection process that the acquiring entity will use to select the facility's governing body.*

The governing board for the facility will include the addition of Manoj Prasad, M.D., MBA, Ph.D., FACHE, CHCSP and Reddy Rathnakar Patlola. Otherwise, it is the goal and intention of AUM Global Healthcare Management, LLC d/b/a Resilience Healthcare to maintain all current board members on the facility's governing body. In the future, Resilience Healthcare, may add additional governing board members that are reflective of and draw from the community and is committed to the continued successful operation of the hospital and its service to the community.

7. *a description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.*

Upon taking operational control of the facility, Resilience Healthcare will assess and evaluate the needs of the community and reserves the right to pursue any changes that would best serve the needs of the community and continued operation of the facility. Resilience Healthcare is not undertaking this change of ownership with specific anticipated changes to the scope of services or levels of care currently provided at the facility that would occur within 24-months related to the proposed transaction, but in the event that there are necessary or recommended additions or changes to the services to be provided, Resilience Healthcare. will adhere to the requisite CON and IDPH requirements and will submit the necessary applications for any modification of services to be considered.

Change of Ownership" means a change in the person who has operational control of an existing health care facility or *a change in the person who has ownership or control of a health care facility's physical plant and capital assets.* A change of ownership is indicated by, but not limited to, the following transactions: sale, transfer, acquisition, leases, change of sponsorship or other means of transferring control.

Control means that a person possesses any of the following discretionary and non-ministerial rights or powers: In the case of an entity, the ability to direct the management and policies of the entity, whether through the voting of securities, corporate membership, contract, or otherwise.

Examples of such control include, without limitation:

- holding 50% or more of the outstanding voting securities of an issue.
- in the case of an entity that has no outstanding voting securities, having the right to 50% or more of the profits or, in the event of dissolution, the right to 50% or more of the assets of the entity.
- having the power to appoint or remove 50% or more of the governing board members of an entity.
- having the power to require or approve the use of funds or assets of the entity; or
- having the power to approve, amend or modify the entity's bylaws or other governance documents.

STATUTE

(20 ILCS 3960/8.5) Sec. 8.5. Certificate of exemption for change of ownership of a health care facility; discontinuation of a category of service; public notice and public hearing. (a) Upon a finding that an application for a change of ownership is complete, the State Board shall publish a legal notice on 3 consecutive days in a newspaper of general circulation in the area or community to be affected and afford the public an opportunity to request a hearing. If the application is for a facility located in a Metropolitan Statistical Area, an additional legal notice shall be published in a newspaper of limited circulation, if one exists, in the area in which the facility is located. If the newspaper of limited circulation is published daily, the additional legal notice shall be published on 3 consecutive days. The applicant shall pay the cost incurred by the Board in publishing the change of ownership notice in newspapers as required under this subsection. The legal notice shall also be posted on the Health Facilities and Services Review Board's website and sent to the State Representative and State Senator of the district in which the health care facility is located. An application for change of ownership of a hospital shall not be deemed complete without a signed certification that for a period of 2 years after the change of ownership transaction is effective, the hospital will not adopt a charity care policy that is more restrictive than the policy in effect during the year prior to the transaction. An application for a change of ownership need not contain signed transaction documents so long as it includes the following key terms of the transaction: and background of the parties; structure of the transaction; the person who will be the licensed or certified entity after the transaction; the ownership or membership interests in such licensed or certified entity both prior to and after the transaction; fair market value of assets to be transferred; and the purchase price or other form of consideration to be provided for those assets. The issuance of the certificate of exemption shall be contingent upon the applicant submitting a statement to the Board within 90 days after the closing date of the transaction, or such longer period as provided by the Board, certifying that the change of ownership has been completed in accordance with the key terms contained in the application. If such key terms of the transaction change, a new application shall be required. Where a change of ownership is among related persons, and there are no other changes being proposed at the health care facility that would otherwise require a permit or exemption under this Act, the applicant shall apply consisting of a standard notice in a form set forth by the Board briefly explaining the reasons for the proposed change of ownership. Once such an application is submitted to the Board and reviewed by the Board staff, the Board Chair shall act on an application for an exemption for a change of ownership among related persons within 45 days after the application has been deemed complete, provided the application meets the applicable standards under this Section. If the Board Chair has a conflict of interest or for other good cause, the Chair may request review by the Board. Notwithstanding any other provision of this Act, for purposes of this Section, a change of ownership among related persons means a transaction where the parties to the transaction are under common control or ownership before and after the transaction is completed. Nothing in this Act shall be construed as authorizing the Board to impose any conditions, obligations, or limitations, other than those required by this Section, with respect to the issuance of an exemption for a change of ownership, including, but not limited to, the time period before which a subsequent change of ownership of the health care facility could be sought, or the commitment to continue to offer for a specified time period any services currently offered by the health care facility.

(20 ILCS 3960/6) An application for a permit or exemption shall be made to the State Board upon forms provided by the State Board. This application shall contain such information as the State Board deems necessary. The State Board shall not require an applicant to file a Letter of Intent before an application is filed. Such application shall include affirmative evidence on which the State Board or Chairman may make its decision on the approval or denial of the permit or exemption. (b) The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. **An exemption shall be approved when information required by the Board by rule is submitted.**

E-025-22 & E-026-22 Pipeline West Suburban Medical Center, Oak Park

